

Message Text

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51

ACTION NEA-12

INFO OCT-01 ISO-00 L-03 EB-11 NEAE-00 TRSE-00 AID-20 SS-20

NSC-10 SSO-00 NSCE-00 PRS-01 RSC-01 DRC-01 /080 W

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O 301525Z NOV 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 8161

LIMITED OFFICIAL USE NEW DELHI 13991

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: RUPEES: MOV

REF: STATE 234887

1. IN RESPONSE PARA 1(A) REFTEL, SUBMITTED BELOW IS TEXT OF EMBASSY'S PROPOSED MOV LANGUAGE. WOULD APPRECIATE WASHINGTON COMMENTS BY RETURN IMMEDIATE CABLE, BEFORE SHOWING TO GOI. FYI - WE HAVE DISCUSSED CONCEPT BUT NOT TEXT, EXPRESSED IN FOLLOWING DRAFT, WITH GOI AND HAVE GOOD REASON TO BELIEVE THIS CONCEPT WILL BE ACCEPTABLE. END FYI.

2. TEXT FOLLOWS. QUOTE: THE FOLLOWING PROVISIONS PERTAIN TO MAINTENANCE OF VALUE OF A PORTION OF THE NON-PUBLIC LAW 480 RUPEES TO BE RETAINED BY THE GOVERNMENT OF THE UNITED STATES OF AMERICAN SUBSEQUENT TO THE DATE OF THIS AGREEMENT:

(A) IN ACCORDANCE WITH THE PROCEDURE SET FORTH HEREINBELOW, RUPEES DEPOSITED IN THE RUPEE ACCOUNT SHALL BE MAINTAINED IN DOLLAR VALUE TO THE EXTENT OF \$50 MILLION EACH YEAR, FOR A TEN-YEAR PERIOD COMMENCING FROM THE DATE OF THIS AGREEMENT; SO THAT, IN TOTAL, MAINTENANCE OF VALUE SHALL APPLY TO \$500 MILLION EQUIVALENT OF RUPEES SO DEPOSITED.

(B) FOR PURPOSES OF IMPLEMENTING THIS MAINTENANCE OF VALUE PROVISION, THE VALUE OF THE RUPEE TO THE DOLLAR AS OF THE DATE OF THIS AGREEMENT, HEREINAFTER KNOWN AS "THE BASE RATE", SHALL BE LIMITED OFFICIAL USE

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CALCULATED IN ACCORDANCE WITH THE SAME EXCHANGE RATE CRITERIA

STATED IN PARAGRAPH 6(A) OF PART I OF THIS AGREEMENT.

(C) WITHIN THIRTY DAYS FOLLOWING EACH OF THE NEXT TEN ANNIVERSARY DATES OF THIS AGREEMENT, THE BALANCE OF THE RUPEE ACCOUNT SHALL BE FORMALLY ADJUSTED, FOR THE PRECEDING YEAR, BY THE ISSUANCE TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA BY THE GOVERNMENT OF INDIA OF AN APPROPRIATE STATEMENT OF BALANCE. THE AMOUNT OF ADJUSTMENT, IF ANY, WILL BE DETERMINED AS FOLLOWS:

(I) THE BASE RATE SHALL BE MULTIPLIED BY 50 MILLION. THIS CALCULATION SHALL YIELD THE TOTAL AMOUNT OF RUPEES BEING MAINTAINED IN VALUE AS OF THE COMMENCEMENT OF THE YEAR UNDER ADJUSTMENT.

(II) 50 MILLION SHALL BE MULTIPLIED BY THE VALUE OF THE RUPEE TO THE DOLLAR DURING THE YEAR UNDER ADJUSTMENT, COMPUTED IN ACCORDANCE WITH THE CRITERIA STATED IN PARAGRAPH 6(A) OF PART I OF THIS AGREEMENT, AND FURTHER COMPUTED ON THE BASIS OF THE AVERAGE OF ALL SUCH RATES AS OF THE FIRST BUSINESS DAY IN INDIA OF EACH OF THE TWELVE MONTHS OF THE YEAR FOR WHICH THE ADJUSTMENT IS BEING MADE. THIS CALCULATION SHALL YIELD THE AMOUNT OF RUPEES EQUATING TO \$50 MILLION FOR THE YEAR UNDER ADJUSTMENT.

(III) THE DIFFERENCE BETWEEN (I) AND (II) IMMEDIATELY ABOVE SHALL BE THE AMOUNT BY WHICH THE BALANCE OF THE RUPEE ACCOUNT IS TO BE ADJUSTED FOR THE YEAR UNDER ADJUSTMENT. TO THE EXTENT (I) IS GREATER THAN (II) THE ADJUSTMENT SHALL BE DOWNWARD; TO THE EXTENT (II) IS GREATER THAN (I) THE ADJUSTMENT SHALL BE UPWARD. UNQUOTE.

3. COMMENT: LAST SENTENCE IN FOREGOING TEXT IS DESIRABLE FROM POINT OF VIEW OF CLARITY, BUT VERY POSSIBLY OBJECTIONABLY IN COSMETIC TERMS. WE WILL BE PLEASED TO DEFER TO YOUR JUDGMENT. WE BELIEVE GOI WILL ACCEPT EITHER VERSION.

DECONTROL 11/30/74
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, RUPEE, EXCESS FOREIGN EXCHANGE, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE13991
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973112/aaaaabix.tel
Line Count: 96
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 234887
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by shawdg>; APPROVED <11-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RUPEES: MOV
TAGS: EFIN, IN, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005